



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: FEBRUARY 26, 2019

FROM: COMMUNITY & ECONOMIC DEVELOPMENT WARDS: ALL
DEPARTMENT

SUBJECT: THE BOX 35% REDUCED FACILITY RENTAL RATES AND SERVICE PRICING
FEES FOR AN 18-MONTH TRIAL PERIOD; FACILITY MAINTENANCE FEE
INCREASE FOR 300+ ATTENDEES PER PRODUCTION; INCREASE BUDGET
BY \$25,000 FOR MARKETING PLAN DEVELOPMENT AND IMPLEMENTATION;
AND RESEARCH A UNIFIED TICKETING SYSTEM AND RETURN TO
DEVELOPMENT COMMITTEE – SUPPLEMENTAL APPROPRIATION

ISSUES:

Consideration to: 1) reduce the facility rental rates and service pricing fees by 35% for The Box for an 18-month trial period; 2) maintain the existing facility maintenance fee of \$1.00 for 1-299 attendees and increase to \$2.00 for 300-599 attendees and \$2.50 for 600-899 attendees per production; 3) authorize a supplemental appropriation to increase The Box Professional Services Account No. 2880200-421000 by \$25,000 for development of a marketing plan and implementation; and 4) direct staff to research a unified ticketing system and return to Development Committee with an update.

RECOMMENDATIONS:

That the City Council:

1. Approve an 18-month trial period for reducing the facility rental rates and service pricing fees by 35% for The Box;
2. Recommend maintaining the existing facility maintenance fee of \$1 per seat, for 1-299 attendees and an increase to \$2 per seat, for 300-599 attendees and \$2.50 per seat, for 600-899 attendees per production;
3. Authorize a supplemental appropriation from General Fund reserves in the amount of \$25,000 to The Box Professional Services Account No. 2880200-421000 for development of a marketing plan and implementation;
4. Direct staff to research, provide cost estimates and direction for implementing a unified ticketing system for use by participating performing organizations and return to the Development Committee with costs and options;
5. Request the Box Committee to continue to meet to address and evaluate the overall

performance of The Box; and

6. Request the Community & Economic Development Department to return to the Development Committee and City Council at 6 months and 18 months of the trial period to provide progress updates.

COMMITTEE RECOMMENDATIONS:

The Development Committee met on November 29, 2018 with Chair Gardner, Vice Chair Perry and Member MacArthur present, to review The Box 35% reduced facility rental rates and service pricing fees for an 18-month trial period; facility maintenance fee increase for 300+ attendees per production; increase budget by \$25,000 for marketing plan development and implementation; and research a unified ticketing system and return to development committee. After discussion, the Development Committee voted unanimously to recommend that City Council:

1. Approve an 18-month trial period for reducing the facility rental rates and service pricing fees by 35% for The Box;
2. Approve maintaining the existing facility maintenance fee of \$1 per seat, for 1-299 attendees and an increase to \$2 per seat, for 300-599 attendees and \$2.50 per seat, for 600-899 attendees per production;
3. Approve The Box Committee's recommendation to increase overall funding for The Box and recommend City Council authorize a supplemental appropriation in the amount of \$25,000 to The Box Professional Services Account No. 2880200-421000 for development of a marketing plan and implementation;
4. Direct staff to research, provide cost estimates and direction for implementing a unified ticketing system for use by participating performing organizations and return to the Development Committee with costs and options;
5. Request the Box Committee to continue to meet to address and evaluate the overall performance of The Box; and
6. Request the Community & Economic Development Department to return to the Development Committee and City Council at 6 months and 18 months of the trial period to provide progress updates.

BACKGROUND:

On May 11, 2010, the City Council approved the design/build contract for the Fox Entertainment Plaza. On September 25, 2012, the City Council approved the final appropriation for the project, with a total investment of over \$19 million. Prior to The Box opening, the development of the Facility Rental Rates and Fee Structure for The Box, non-profits, performance based community groups and other like theaters were researched to determine a fee threshold that is competitive and attractive to the end user at the time. The Facility Rental Rates and Fee Structure for The Box were categorized into three groups: Non-profit, Performance-based Community organizations and Commercial. Noting that the City was targeting three types of users for The Box, a three-tiered fee structure was created. The size and the flexibility of the space allows for non-profits and community groups to use it with more ease than larger scale theaters and

commercially driven groups can try out more avant-garde and experimental programming while still getting a state-of-the-art equipment and facility.

A great deal of research was conducted through the City's consultant to identify the proposed commercial rate. Most black box theaters of 200 seats or less are membership driven and do not encourage outside use and price their theaters accordingly. Theaters in the 400 to 700-seat range desire to engage community use as well as commercial use and typically use a slightly different fee structure. The commercial rate proposed took into account both methods and is based on industry standards.

Like the commercial rate, the non-profit and performance-based community group rate was also vetted through research and direct contact with our regional groups. It is important to note that although many performance-based community groups operate much like a non-profit, they typically do not have non-profit legal status. Further, this same performance based community group would be priced out of The Box if commercial rates were applied to them. The City has historically recognized this distinction and many community centers have a three-tiered pricing structure. During that process the rates were vetted through an extensive outreach process and approved by the City Council; they have not been increased since The Box opened in 2013.

DISCUSSION:

On April 19, 2018, the Development Committee met and a motion was made by Chair Gardner and seconded by Vice Chair Perry directing staff to (1) prepare an analysis of what would be required to make The Box at the Fox Entertainment Plaza successful as a community theater; (2) reach out to members of the community theater groups and discuss feasible rates; and (3) look for alternative locations for a comedy club and return to the City Council and Development Committee. The motion carried unanimously. This motion from the Development Committee was made after a presentation and discussion about leasing The Box for a comedy club. The comments and discussion from both the Development Committee and members of the public led to the motion made by Chair Gardner.

Staff developed a committee of community members (Box Committee) that have diverse backgrounds that include theater, nonprofit, administration, business and government.

The members of the Box Committee are:

1. Patrick Brien – Riverside Arts Council
2. John Collins – Community member with diverse arts background and experience
3. John Griffin – Encore Junior and Senior High School for the Arts
4. Margie Haupt – Community & Economic Development, Arts & Cultural Affairs
5. Mandy Hyde – Owner/Operator of Plantation Productions, Inc.
6. Lee Lyons – California Baptist University, Director, Theatre Program
7. Nick Pacific – Riverside Food Lab
8. Cati Porter – Inlandia Institute
9. Gema Ramirez – Community & Economic Development, Arts & Cultural Affairs
10. Sue Roginski – P.L.A.C.E. Performance & Trolley Dances

The Box Committee was tasked with recommending idea(s) regarding use, management and structure that would be brought back to the Development Committee for consideration. The approach that the Committee took was to 1) Focus on Supporting Art Organizations, 2) Expanding the Arts Audience and 3) Clear and consistent use for The Box.

During the process the Box Committee had honest evaluation and dialogue about The Box, what is working well, what needs to be improved and potential new ideas for the future? Listed below are items from the evaluation:

1. Lack of comprehensive marketing (knowledge of The Box, signage, etc.)
2. Cost of The Box is too high
3. Good resources, staff and technical assistance
4. Good that we have a black box
5. Flexibility is good
6. Mixed direction on programming use to staff over the last two and a half years led to missed opportunities

The Box Committee also outlined what the community wants for The Box:

1. Affordability
2. Regional draw
3. Stronger marketing
4. Off night workshops/dances/etc.
5. Active box office
6. On-site staff
7. Dedicated Wi-Fi
8. Facility fee structure that is clear and more affordable
9. Educational component
10. Unified ticketing system

The Box Committee reviewed several different models for management and operation, which included:

1. Co-operation (Co-op)
2. Co-presenting
3. City sponsorship
4. Outside non-profit to lease/manage
5. Models from other city run theaters/black boxes
6. Current model with modifications

Research

Staff looked at multiple small theaters/black boxes and compiled information that included costs, staffing, specs, etc. (Attachment 1). At the time that research was started, staff had not included Co-ops in that document. Staff did additional research specifically looking at the Co-op model, which included:

1. Theatre Consortium of Silver Spring, Silver Spring, Maryland
2. Artists Co-op of New York City, New York
3. The Tank, New York City, New York
4. SOHO Rep of New York City, New York
5. Actors Co-op, Hollywood, California
6. The Flight Deck, Oakland, California

Of the six, one model stood out due to its partnership with the government, and that was the Theatre Consortium of Silver Spring, Maryland. The mission of the Theatre Consortium of Silver

Spring is to provide innovative management of the Silver Spring Black Box Theatre for culturally diverse resident companies and other artists and organizations for the enrichment of the community in and around the Silver Spring Arts and Entertainment District. The additional purpose is for the Theatre Consortium to provide performance space for the resident companies and other artists and organizations, as the rental calendar allows. The Consortium offers high quality, diverse, and reasonably priced theatre.

In speaking with Silver Spring staff, they were able to share what has worked well and what has not. What has worked well is the five-year agreement with the County to manage the facility; consistent programming; and the County pays for all facility maintenance and utilities. Currently there are four organizations that make-up the consortium. Seventy-five percent of the calendar is used by those four organizations at a discounted rate. Each organization does their own marketing, ticketing and sales. Overall, the arrangement works but it can get convoluted by politics, timeliness of payments and board demographics (of the eight members, three are from the organizations that are part of the Co-op).

Site Visits

During the course of the summer, Box Committee members visited three local theaters that are city-owned/operated or collaborated with other cities. These sites were the Old Town Temecula Community Theater/Merc, Lewis Family Playhouse at Victoria Gardens Cultural Center in Rancho Cucamonga, and Pasadena Playhouse. The Old Town Temecula Community Theater/Merc and Lewis Family Playhouse are owned, operated and managed by city employees and city budgets, primarily through general fund and revenue as well as having budgets that exceed \$500,000. The Pasadena Playhouse is a non-profit organization that has a no/low cost rent with the City of Pasadena.

Box Committee Discussion

The Box Committee discussed all options and evaluated options in the context of supporting art organizations, expanding the arts audience and a clear and consistent use of The Box. After discussion, several core elements resonated with the Box Committee. These elements were:

1. The City maintain significant control and responsibility of the upfront, on-going and facility costs associated with The Box; currently this would be done by staff and contractor (currently Plantation Productions, Inc.);
2. Core competency of The Box being diverse, offering community arts programming;
3. Branding of The Box needs to be a priority; and
4. Facility fees need to be reduced, even for a trial period to see if it can change the use by groups and increase the diversity of community programming.

Staff summarized the Box Committee's expertise, research and knowledge from the last six months and recommends a 35% discount along with the other recommendations listed in items two through five below. The matrix shown below lists current fees and includes options for both a 35% discount and a 50% discount:

1. For an 18-month trial period, starting January 2019 through June 2020, reduce the facility rental rate and service pricing fees by a 35% discount.

Facility Fee	Type & No. of Days/Events	Total Cost
Current	3 Tech & 3 Performances	\$3,200
Current	1 Performance/Event	\$940

35% Proposed	3 Tech & 3 Performances	\$2,080
35% Proposed	1 Performance/Event	\$611
50% Reduction	3 Tech & 3 Performances	\$1,600
50% Reduction	1 Performance/Event	\$470

As an example with the 35% reduced fee, a theater company charging \$20 per ticket would need a paid audience of 105 to cover their weekly rental and the \$1 maintenance fees. As an example with a 50% reduced fee, a theater company charging \$20 per ticket would need a paid audience of 80 to cover their weekly rental and the \$1 maintenance fees. However, staff is recommending a 35% reduction since a 50% reduction would not cover the costs for the technical staff needed for most performances and increase this revenue loss;

2. The facility maintenance fee would increase as the audience increases. The facility maintenance fee would remain \$1 for 1-299 attendees, increase to \$2 for 200-599 attendees and \$2.50 for 600-899 per production;
3. Increase the overall budget for The Box by \$25,000 to develop a strong marketing plan and implementation; this would include social media, staffing to implement and provide directed marketing/mailing; and
4. Direct staff to research, provide cost estimates and direction for implementing a unified ticketing system for use by participating performing organizations, and return to the Development Committee with costs and options.

Currently the General Fund is subsidizing The Box and has since its opening in 2013. The fees that are paid do not cover all of the costs of The Box, such as utilities, cleaning, maintenance, air conditioning, etc. The table below is of operating expenses only.

Fiscal Year	Total Revenue	Operating Expenses	Contractor Expenses (Production)	Total Expenses	General Fund Support
2015/16	\$51,735	\$26,002	\$91,480	\$117,482	\$65,747
2016/17	\$68,614	\$27,502	\$66,509	\$94,011	\$25,397
2017/18	\$47,651	\$32,991	\$56,862	\$89,853	\$42,202

Below staff has provided two different performance scenarios at the current fee, the proposed 35% reduction fee and 50% fee reduction.

Scenarios for a Multiple Day Event	Technical Staff & Number of Days	Contractor Expense per Agreement	Facility Fee Collected	General Fund Gain/(Loss)
Current	3 Techs/ 3 Performances	\$3,000	\$3,200	\$200
Proposed 35%	3 Techs/ 3 Performances	\$3,000	\$2,080	(\$920)
Proposed 50%	3 Techs/ 3 Performances	\$3,000	\$1,600	(\$1,400)

Scenarios for a Single Day Event	Technical Staff & Number of Days	Contractor Expense per Agreement	Facility Fee Collected	General Fund Gain/(Loss)
Current	2 Techs/ 1 Performance	\$680	\$940	\$260
Proposed 35%	2 Techs/ 1 Performance	\$680	\$611	(\$69)
Proposed 50%	2 Techs/ 1 Performance	\$680	\$470	(\$210)

The original intention of The Box was not to make money but to create a space for the community to perform. By reducing the rate to 50%, the costs of the contractor, Plantation Productions, Inc., which is the technical staff needed and contracted by the City to operate The Box, would not be covered at a much greater amount. This number would vary on the type of performance and the number of days of use and would increase the amount of General Fund support needed, as seen in the tables above.

Staff tried to balance the benefit for arts & performing organizations as well as the fiscal responsibility of the City. These changes could provide the benefit of providing arts and community organizations access to our quality black box, in a great location. Although these recommendations may come with an increased cost to the City, this proven method of a City operated model will have significant value to the regional arts community. These changes also have the potential of increasing the quality and diversity of the performing arts and provides an art incubation space with the reduced facility fee cost.

FISCAL IMPACT:

The total fiscal impact of the action is unknown due to the number and type of performances throughout the year; however, staff estimates a decrease of \$70,000 to the Theater/Auditorium Revenue Account No. 2880200-343660 in the Civic Entertainment Fund. Although there would be a decrease to the specific account number in the Civic Entertainment Fund, with the potential increased usage and attendance, there could be a positive overall economic impact associated with local businesses, increased sales tax revenue and an increase of the facility maintenance fee per attendee for the City.

The recommended action also requests a supplemental appropriation from the General Fund reserves in the amount of \$25,000 to The Box Professional Services Account No. 2880200-421000 for development of a marketing plan and implementation. Although these resources are separated into the Civic Entertainment Fund, the General Fund subsidizes this fund to ensure available resources for operating, maintenance and debt service.

Prepared by: David Welch, Community & Economic Development Director
 Certified as to availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer
 Approved by: Rafael Guzman, Assistant City Manager
 Approved as to form: Gary G. Geuss, City Attorney

Concurs with:

A handwritten signature in black ink, appearing to read 'Mike', is written over a horizontal line.

Mike Gardner, Chair
Development Committee

Attachments:

1. Black Box/Small Theater Research
2. Presentation